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Senate
Committee on Appropriations**

USDA RURAL DEVELOPMENT

Statement of James M. Andrew, Administrator of the Rural Utilities Service before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to present the President's Fiscal Year (FY) 2009 Budget for USDA Rural Development's utilities programs. Together we can provide a strong, dependable infrastructure in the rural United States.

A strong rural America is important for a strong Nation and rural utilities programs are an important part of the USDA Rural Development mission. Safe, affordable, modern utility infrastructure is an investment in economic competitiveness and serves as the foundation of economic development. Changes in the landscape of rural America, along with developments in technology and changes in market structure, combined with an aging utility infrastructure, are impacting the electric, telecommunications and water sectors. With the help of USDA Rural Development's utilities programs, rural communities can face the challenges of participating in today's economy, and residents of those communities are able to experience an improved quality of life.

The \$49.2 billion rural utilities loan portfolio includes investments in 8,000 small community and rural water and waste disposal systems, as well as approximately 1,300 electric

and telecommunications systems serving rural America. This local/Federal partnership is an ongoing success story. Seventy-five percent of the Nation's landmass continues to be rural, encompassing 25 percent of the population. For an economy to prosper, we need infrastructure investment to spur economic growth, create jobs and improve the quality of life in rural America.

Electric Programs

The FY 2009 Budget for the Electric Programs provides a program level of \$4.1 billion requiring no budget authority. This level includes a hardship loan program of \$100 million and \$4 billion for a new direct loan program. This proposed new program will replace the Federal Financing Bank (FFB) loans with direct loans made by the agency to increase program efficiency. The new direct loans would bear interest at the Treasury rate, plus 12.5 basis points, the same as presently charged on FFB loans. Legislation effecting this change will be submitted to the authorizing committees. The Electric Programs will continue to finance transmission, distribution, as well as system improvements to existing generation facilities. In addition, there is an increasing demand for environmental improvements to existing generation facilities and through the FY 2009 Budget request, we will be able to meet some of this demand.

Telecommunications Programs

One of the most dynamic and rapidly changing aspects in rural America is high speed communications. Job growth, economic development, and the quality of life in rural America are directly tied to access to today's high speed telecommunications. We administer the

traditional Telecommunications Infrastructure loan program, and the Distance Learning and Telemedicine Loan and Grant Programs, as well as the Broadband Loan Program.

The FY 2009 Budget for the Broadband Loan Program proposes a program level of \$298 million requiring \$11.6 million in budget authority. The budget proposes that these funds be loaned at a rate of interest equal to the cost of money to the Federal Government.

We continue to review every aspect of the program with a view toward making needed improvements. A proposed regulation seeking comment on improvements was released on May 11, 2007. We received hundreds of comments from 38 interested parties. We are currently reviewing those comments to determine what changes need to be made to finalize the new regulations. We are also considering the details of the House and Senate Farm Bills and how the final bill may impact these regulations. Balancing fiduciary responsibility with mission delivery is a vital goal. A successful project opens the door to economic development and an improved quality of life in rural America.

In the traditional Telecommunications Programs, the FY 2009 Budget proposes a program level of \$690 million, requiring \$525 thousand in budget authority. Included is \$145 million in direct 5 percent loans, \$250 million in direct Treasury Rate loans, and \$295 million for a new direct loan program to replace the FFB guaranteed loans.

Distance learning and telemedicine technologies are having a dramatic effect on the lives of rural residents. This program helps rural schools and learning centers to take advantage of the

information age and enables rural hospitals and health care centers to have access to quality medical services only found in large hospitals. The Distance Learning and Telemedicine (DLT) Program pulls together the best of Federal assistance and local leadership. The FY 2009 DLT budget proposes \$20 million for DLT Grants. The President's budget does not request loan program funding because the demand for loans to schools and hospitals is low and funding is available from previous years to support new loans in FY 2009.

Water and Environmental Programs

The Water and Environmental Programs provide the most basic of infrastructure needs for rural citizens: clean, safe, affordable drinking water and ecologically sound wastewater disposal. No element is more vital to human life and dignity as clean, safe water. Rural communities are challenged to provide this vital service while facing increasing regulatory requirements, aging infrastructure and persistent drought conditions across a large area of the country.

The FY 2009 Budget proposes a program level of \$1.6 billion in loans, loans guarantees and grants, requiring \$269 million in budget authority. The total includes \$1.3 billion in direct loans and \$75 million in loan guarantees for the Water and Waste Disposal Programs. At that program level, the direct loan program requires \$49.2 million in budget authority. The budget also proposes \$216.4 million in Water and Waste Disposal Grants and \$3.5 million in Solid Waste Management Grants.

Summary

Rural utilities programs help provide safe, clean, water; modern communications; and reliable, affordable electric power so that businesses can develop and homes can have light and heat. We can do our part in helping Rural Development build communities from the ground up.

Thank you for the opportunity to present the President's FY 2009 Budget for USDA Rural Development's utilities programs.